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August 3, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following Record Requests:

From the Attorney General:

RR-AG-55

From the Department:

RR-DTE-18 (Supp.)

RR-DTE-48

RR-DTE-75

RR-DTE-82

RR-DTE-84

RR-DTE-107

From the UWUA:

RR-UWUA-4

RR-UWUA-8 (B)¹

¹ The Company notes that two different record requests from the UWUA were both marked as RR-UWUA-8. See Transcript Vol. 12 at 2065:2 and Transcript Vol. 14 at 2291:8. To help differentiate these two responses, the Company has labeled this response RR-UWUA-8 (B).

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Per Ground Rules Memorandum issued June 13, 2005:

Paul E. Osborne, Assistant Director – Rates and Rev. Requirements Div. (1 copy)

A. John Sullivan, Rates and Rev. Requirements Div. (4 copies)

Andreas Thanos, Assistant Director, Gas Division (1 copy)

Alexander Cochis, Assistant Attorney General (4 copies)

Service List (1 electronic copy)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 05-27

Date: August 3, 2005

Responsible: Stephen H. Bryant, President

RR-AG-55: Provide the test-year costs associated with the Call Center. Include all supporting workpapers, calculations, and assumptions, and identify accounts to which each cost is booked.

Response: Attachment RR-AG-55 details costs associated with the Springfield Call Center for the test year, including account information.

**Bay State Gas Company
Test Year Costs for Springfield Call Center**

Line No.	(A)	(B)	(C)	(D)	(E)	(F)
		Labor	Materials 2/	Outside Services 3/	Employee Expenses 4/	Total
1	690100 / 690300--Customer Records and Collection & Customer Accounting	\$909,281	\$59,765	\$66,437	\$11,214	\$1,046,696
2	690306--Customer Records and Collection Postage		14,763			14,763
3	690321,23,27/690351,59--Customer Records and Collection Service Calls Accept	1,147,437				1,147,437
4	690328/690362--Customer Records and Collection Incoming Credit Calls	767,563				767,563
5	690352,53,54,55 Customer Records and Collection Bill Inquiries & Adj	207,264				207,264
6	690370--Customer Records and Collection Operation Accounting Expense		685	274		959
7	692100/692101 -- Office Supplies, Courier and Other		4,877	72		4,949
8	Total Department Costs	\$3,031,544	\$80,090	\$66,783	\$11,214	\$3,189,631
9						
10	Less Amount Allocated to Northern Utilities				15.00%	-478,445
11						
12	Total Call Center Costs in Test Year					<u>\$2,711,187</u>
13						
14						
15	Total Call Center Costs assigned to Energy Products & Services Business Overheads				8.28%	\$224,486 1/
16						
17						
18	1/ \$224,486 = Col. F Line 12 x 8.28%, Where 8.28% = 46% (% of meter and service calls to total calls) x 24% (% of service calls to total calls) x 75% (revenue producing portion of labor).					
19						
20						
21						
22	2/ Materials -- Office Supplies					
23	POSTAGE	\$14,763				
24	BANK ONE	4,323				
25	OFFICE DEPOT	4,877				
26	PETTY CASH/ PAT TEAGUE	3,732				
27	MANHATTAN BAGEL	3,610				
28	CITIBANK	1,963				
29	PETTY CASH RAMONA TETRAULT	1,626				
30	ZEE MEDICAL SERVICE,	1,846				
31	TONY & PENNY'S RESTAURANT	571				
32	DUPLI	384				
33	MINOLTA CORPORATION	375				
34	AIM - ADVANTAGES IN MARKETING	251				
35	PAT TEAGUE	240				
36	ARTCO-RMG	197				
37	URGE	193				
38	MINOLTA DIV KMBS USA	147				
39	DELL MARKETING L.P.	105				
40	FROM STOREROOM	421				
41	ADVANCED CARPET CARE	45				
42	EUREST DINING SERVICE	18				
43	Materials -- Office Supplies - Subtotal	\$39,687				
44						
45	2/ Materials -- Computer Software					
46	GENESYS TELECOMMUNICATION	\$17,165				
47	NORTEL NETWORKS INC.	14,064				
48	JIM RUBIN ASSOCIATES	2,875				
49	DELL MARKETING L.P.	1,678				
50	CHADBOURN MARCATH, INC	1,450				
51	WALSH MEDIA, INC.	1,124				
52	VOICE & DATA NETWORKS	1,086				
53	TARGET VISION	534				
54	E O ROSS ELECT CONTRACTOR	347				
55	CDW COMPUTER CENTERS	81				
56	Materials -- Computer Software - subtotal	\$40,404				
57						
58	Materials Total	\$80,091				
59						
60	3/ Outside Services					
61	ADECCO USA	\$66,437				
62	UNITED PARCEL SERVICE	346				
63	Outside Services Total	\$66,783				
64						
65						
66	4/ Employee Expenses - Travel and Meals					

Bay State Gas Company
Test Year Costs for Springfield Call Center

67	MEALS AND ENTERTAINMENT	\$1,168
68	LODGING	2,495
69	TRANSPORTATION	4,132
70	AUTO MILEAGE	696
71	Employee Expenses - Travel and Meals - subtotal	<u>\$8,491</u>
72		
73	4/ Employee Expenses - Training	
74	NORTHERN INDIANA PUB.	\$1,534
75	PETTY CASH/ PAT TEAGU	662
76	LUMACORE INC	398
77	FRED PRYOR SEMINARS	129
78	Employee Expenses - Training - subtotal	<u>\$2,723</u>
79		
80	Employee Expenses Total	\$11,214

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: August 3, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

Supplemental Response

RR-DTE-18: Provide a list of corrections with dollar amounts identified during discovery that impact the cost of service. Update on an ongoing basis.

Response: Please see Attachment RR-DTE-18.

**Supplemental
Response # 1:**

Please see Attachment RR-DTE-18 (SUPP #1-A). It contains three updates and/or corrections identified since the response to RR-DTE-18 was filed on July 12, 2005. They are as follows:

- Per Mr. Bryant's testimony on July 12, 2005 (see Transcript page 1,048) the removal of \$310,000 from the cost of service related to the funding of Gas Technical Institute. Please see line 3 of Attachment RR-DTE-18 (SUPP #1-A).
- As discussed in Exhibit BSG/JES-1, at page 13, the Company is updating its cost of service for additional payroll costs for IBEW Local No. 326 of its Lawrence Division. A new agreement became effective June 18, 2005 approving a 2.5% increase. Straight time and overtime payroll costs are being adjusted for the 2.5% increase. Please see lines 25 and 31, respectively, of Attachment RR-DTE-18 (SUPP #1-A) for the amounts of the increases. Also, please see Attachment RR-DTE-18 (SUPP #1 – B) for a copy of the executed Memorandum of Understanding between Bay State's Lawrence Division and the IBEW, Local No. 326.
- Bad debt expense has been corrected for the proper level of 2002 firm billed revenue. The change reduced the bad debt percentage from 2.17% to 2.15%. The direct impact on the company's revenue request is \$29,378 as shown on line 49 of Attachment RR-DTE-18 (SUPP #1-A). However, the total revenue request will be impacted as a result of the change in the bad debt percentage impacts the gross up factor (See Footnote 3).

**Bay State Gas Company
2005 General Rate Case
List of Corrections and Updates**

Ln. No.	<u>Descriptions</u> (1)	<u>Detail</u> (2)	<u>Inc. (Dec.) to Revenue Requirement</u> (3) (\$)
1	Additional Con Ed revenue (AG-9-2)		(404,852)
2	Additional Metscan lease cost (DTE-1-21)		395,810
3	Removal of GTI Funding (July 12, 2005 Transcript, Page 1,048)		(310,000) 1/
4	Inflation:		
5	Residual O&M expense - Schedule JES-6, Pg. 19, Ln. 23	34,053,380	
6	Schedule JES-6, Pg. 19, Ln. 25 Feb. 3.51%		
7	Updated (AG-3-26 SUPP) July 4.31%	<u>0.80%</u>	272,427
8	Insurance premium - wrong allocation percentages (AG-3-9)		(133,699)
9	Property tax - updated Schedule JES-9, Pg. 3 (AG-3-36)		(91,840)
10	Allocation of non - utility property tax expense (DTE-1-5)		(22,538)
11	Metscan depre. rate - 24.17% vs. 24.71% (DTE-5-29)		
12	Book cost of Metscan @ March. (JES-7, Pg. 3, Ln. 43)	644,449	
13	Difference in rate	<u>-0.54%</u>	(3,480)
14	2005 exempt labor:		
15	2005 percentage increase - Workpaper JES-6, Pg. 3, Ln. 11	2.00%	
16	2005 percentage increase - Schedule SAB-4, 2005 exempt	2.30%	
17	Difference	0.30%	
18	2004 annualized labor - Workpapers JES-6, Pg. 3, Ln. 3	4,524,758	
19	Additional labor (Ln. 16 * Ln. 17)		13,574
20	2005 Local No. 326 labor (Straight Time):		
21	2005 percentage increase - Workpaper JES-6, Pg. 2, Ln 8	0.00%	
22	2005 percentage increase - Attachment RR-DTE-18	2.50%	
23	Difference	2.50%	
24	2004 annualized labor - Workpapers JES-6, Pg. 2, Ln. 3	2,286,294	
25	Additional labor (Ln. 22 * Ln. 23)		57,157 1/

**Bay State Gas Company
2005 General Rate Case
List of Corrections and Updates**

Ln. No.	Descriptions (1)	Detail (2)	Inc. (Dec.) to Revenue Requirement (3) (\$)
26	2005 Local No. 326 labor (OT):		
27	2005 percentage increase - Workpaper JES-6, Pg. 9, Ln 6	0.00%	
28	2005 percentage increase - Attachment RR-DTE-18	2.50%	
29	Difference	2.50%	
30	2004 adjusted OT labor - Workpapers JES-6, Pg. 9, Ln. 1+3	498,229	
31	Additional labor (Ln. 28 * Ln. 29)		12,456 1/
32	Related Payroll Taxes		
33	Line 19 + 25 + 31 above	83,187	
34	Tax rate - Schedule JES-9, Pg. 4	<u>7.65%</u>	6,364 2/
35	Depreciation linkage correction:		
36	Workpaper JES-7, Pg 1, Ln. 27	53,250	
37	Schedule JES-7, Pg 2, Ln. 4	<u>66,839</u>	13,589
38	Property linkage correction		
39	Workpaper JES-9, Pg 1, Ln. 27	1,444	
40	Schedule JES-9, Pg 2, Ln. 5	1,507	63
41	Rate case expense:		
42	Amortization as filed - Schedule JES-6, Pg. 8	331,700	
43	Amortization per DTE-15-58 as of July 25, 2005	<u>380,786</u>	49,086
44	Bad Debt Expense:		
45	Corrected Sch. JES-6, Pg 9 - Bad Debt	10,210,743	
46	As filed Sch. JES-6, Pg. 9 - Bad Debt	<u>10,305,726</u>	
47	Difference	(94,983)	
48	Base rate percentage - 100% less 69.07%	30.93%	
49	Base rate amount	<u>(29,378)</u>	<u>(29,378) 1/</u>
50	Total Corrections and Updates		<u><u>(175,261) 3/</u></u>

Note:

1/ New since the update provided on July 12, 2005.

2/ Changed from the July 11, 2005 update due to the additional payroll costs.

3/ The Company's revenue request will be further impacted by the effect of these changes on Other O&M Cash working capital and uncollectibles at 2.2% (2.15%/97.85). In addition, the entire revenue request will be impacted due to the change in the bad debt rate change from 2.17% to 2.15%. The Company will provide a full set of updated cost of service schedules prior to the close of the record.

MEMORANDUM OF UNDERSTANDING**Between****Bay State Gas Company****Lawrence Division****And****The International Brotherhood of Electrical Workers, Local No. 326**

The Undersigned Parties hereby agree on this 17th day of June 2005, to the following settlement, which is understood to be subject to ratification by the Union membership:

1. Three (3) year contract to be effective June 18, 2005, and to terminate June 18, 2008.
2. Wages:
 - A. Effective June 18, 2005, employees shall receive a 2 1/2% base increase to their current wage per hour rate.
 - B. Effective June 18, 2006, employees shall receive a 2 1/2% base increase to their wage per hour rate.
 - C. Effective June 18, 2007, employees shall receive a 2 1/2% base increase to their wage per hour rate.

3. Shifts and Allowances

	6/18/05	6/18/06	6/17/07
Second Shift	\$1.65		\$1.80
Third Shift	\$1.75	\$1.90	\$2.00

4. Saturday and Sunday Allowance

	6/18/05	6/17/07
Saturday	\$4.50	\$4.75
Sunday		\$7.25

5. Standby Allowance Increase – Article VII, Section 6

Effective with ratification of the agreement, the standby allowance will be:

	6/18/05	6/17/07
One Shift:	\$10.25	\$11.00
Two Shifts:	\$20.00	\$22.00
Three Shifts:	\$31.05	\$33.00

6. Meal Allowance – Article VII, Section 9

Effective with ratification of the agreement, the meal allowance will be:

6/18/05	6/17/07
\$11.25	\$12.00

7. Uniforms – Article VII, Section 15
Remove second paragraph

8. Safety Eyeglasses – Article VII, Section 16

9. Effective with ratification of the agreement, the Company will pay the following percentage.

6/18/05	6/18/06	6/17/07
60%	70%	80%

10. Safety Boot Allowance – Article VII, Section 16

Effective with ratification of the agreement, the Company will increase the boot allowance effective 6/18/2006 to \$45.00 each for two pair of shoes per year or \$90.00 for one pair of shoes per year.

11. Benefit Improvements and Modifications as of January 1, 2006: (See Attached for details).

12. Dental Benefits – See Attached for details.

13. Vision Benefits – See Attached for details.

14. The Company agrees to the following:

All regular full-time employees who are on the payroll as of December 31, 2005, shall be eligible to receive twenty-six (26) weeks of short-term disability (STD) benefits for sickness or injury at a rate equal to 100% of their base pay.

For all employees hired on or after 1-1-06, (Regular Full Time Employees) will receive STD benefits in accordance with the following schedule:

<u>Years of Service</u>	<u>100%</u>	<u>60%</u>
1 to 9	8 weeks	18 weeks
10 to 19	16 weeks	10 weeks
20 +	26 weeks	

15. Vacation – Second paragraph of Article VIII, Subsection 1 – Vacation
Eligibility, to read as follows:

Regular employees continuously employed by the Company, who meet the service requirements indicated below by December 31 of the calendar year, shall be entitled to vacation during the calendar year with pay as follows:

SERVICE REQUIRED	VACATION
One Year	2 Weeks
Three Years	3 Weeks
Ten Years	4 Weeks
Twenty Years*	5 Weeks*

*Employees hired on and after 1/1/2006 are not eligible for the fifth (5th) week of vacation.

16. Pg 28, 2b NON-OCCUPATIONAL DISABILITY. Change language to read as follows:

"Scheduled sick (STD) days are limited to three (3) days per calendar year and may be utilized for."

"All sick (STD) days are granted at the discretion of the supervisor. All requests for scheduled sick (STD) days must be approved one (1) week in advance by an employee's supervisor."

Attachments

APPROVAL

COMPANY

William L. Murphy
Michael L. Lytle

UNION

James J. Dempsey
Robert A. Blumel
Joseph E. Corran

June 17, 2005

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: August 3, 2005

Responsible: Stephen H. Bryant, President

RR-DTE-48: Explain why there are additions to plant in the years 2001, 2003 and 2004 as referenced in the Company's response to Information Request DTE-01-29, on the schedule for Metscan automated meter-reading equipment.

Response: Upon review the Company has determined that the plant additions in the years 2001, 2003 and 2004 are generally related to capitalized meter activities and not related to Metscan. As such, these amounts should be removed from the Account 397.2 balance. See the Company revised response to DTE-01-19, which restates the plant balances for Metscan.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: August 3, 2005

Responsible: Stephen H. Bryant, President

RR-DTE-75: What is IBM's knowledge of the Bay State/Northern Utilities service territory and what is their agreement to the service quality requirements as far as call answering, and to the potential change in Massachusetts regarding call answering?

Response: IBM is aware of the call center service quality requirements in Massachusetts, New Hampshire and Maine. See Page 6 of Exhibit 3, Annex 3.2.6 of the IBM – NiSource agreement, which was filed as part of RR-AG-09 (CONFIDENTIAL), for definition of call answering metrics. These metrics are defined as critical and can be modified by commission agreements/mandates.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: August 3, 2005

Responsible: Stephen H. Bryant, President

RR-DTE-82: Determine whether or not any Metscan units were sold to Connecticut Natural and Southern Connecticut. If Metscan units were sold, were they removed from what the Company is seeking to recover in Metscan costs?

Response: The Company did engage in discussions with Connecticut Natural Gas or Southern Connecticut Gas regarding the potential purchase of used Metscan equipment, but no sales transactions were completed.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: August 3, 2005

Responsible: Stephen H. Bryant, President

RR-DTE-84: Explain why Bay State's insurer made a payment to Central Locating, after an unfavorable verdict at trial of the liability phase of the contribution case?

Response: The payment was made to Central Locating after a verdict at trial that reallocated the proportional responsibility of a previously paid settlement amount.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: August 3 2005

Responsible: Danny G. Cote, General Manager

RR-DTE-107: Provide a benefit / cost analysis and determine the internal rate of return for the 2002 MMWEC Expansion Project (Project ID 223670-2002) to include whether or not the customer provided any contribution.

Response: Massachusetts Municipal Wholesale Electric Company ("MMWEC") paid for the dedicated line from Bay State's main to the customer's facilities, paying virtually the entire cost of facilities needed to provide gas service to MMWEC. MMWEC owns this line extension. Bay State's expected investment for the interconnection work, including the valve, insulating joint and tap fitting, was to be minimal. Since this investment was less than one month of revenue from the monthly demand charge per the contract, Bay State did not need to calculate an internal rate of return.

The Department of Telecommunications and Energy ("Department") approved this project and Firm Transportation Service Special Contract in DTE GC-99-43 in its order March 24,2000.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE UWUA LOCAL 273

D.T.E. 05-27

Date: August 3, 2005

Responsible: Stephen H. Bryant, President

RR-UWUA-4: Did any payments made by the Company or its insurers, in connection with the Attleboro incident, result in increased insurance rates to the Company in 2003, 2004, or 2005? If yes, quantify the increase.

Response: The payments made by Bay State's insurer, in connection with the Attleboro incident, did not result in increased insurance rates to the Company in 2003, 2004, or 2005. Bay State's insurer made the payments at a time when Bay State was an independent Company. Since then Bay State has been acquired by NiSource and NiSource subsequently acquired the Columbia companies. This corporate consolidation resulted in an opportunity for NiSource to restructure its liability insurance to cover all of its assets. As such, the current insurer was not responsible for the payments for Attleboro.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM UWUA LOCAL 273
D.T.E. 05-27

Date: August 3, 2005

Responsible: Steven A. Barkauskas, Vice President Total Rewards

RR-UWUA-8 (B) ¹ Please prepare a schedule showing the ABO, trust assets and additional minimum liability for the Company for 2004, 2003 and 2002.

Response: The Company's employees participate in qualified pension plans along with the employees of Granite and Northern Utilities. In addition, prior executives of the Company participated in a Supplemental Executive Retirement Pension Plan (SERP). While the ABOs can be measured at an individual employee level and, therefore, are identifiable at the employer level, the assets of the plans are not measured at the employee level as they are held in a common trust. Due to the fact that the assets are not directly identifiable at the employer level, the calculated additional minimum liability, which is determined in part based on the amount of trust assets, is allocated to the separate employers based on the relative projected benefit obligations of each affiliate company participating in the plan.

Table RR-UWUA-8 below shows the components of the additional minimum liability for the years 2004, 2003 and 2002. The column to the far right shows the amount of the AML allocable to the Company.

¹ The Company notes that two different record requests from the UWUA were both marked as RR-UWUA-8. See Transcript Vol. 12 at 2065:2 and Transcript Vol. 14 at 2291:8. To help differentiate these two responses, the Company has labeled this response RR-UWUA-8 (B).

Table RR-UWUA-8

		Per Actuarial Reports					Allocated AML for BSG-MA
		a	b	c = a - b	d	c + d	
		ABO	Trust Assets	Minimum Liability	(Accrued)/ Prepaid Pension Cost	Additional Minimum Liability	
2004	Non-union Plan	\$40.6	\$36.7	\$3.9	\$4.2	\$8.1	\$26.8
	Union Plan	\$44.4	\$35.1	\$9.3	\$13.1	\$22.4	
	SERP	\$3.4	\$0.0	\$3.4	(\$2.7)	\$0.7	
	Total	\$88.4	\$71.8	\$16.6	\$14.6	\$31.2	
2003	Non-union Plan	\$38.7	\$35.9	\$2.8	\$5.4	\$8.2	\$27.9
	Union Plan	\$41.6	\$35.2	\$6.4	\$16.3	\$22.7	
	SERP	\$3.7	\$0.0	\$3.7	(\$2.8)	\$0.9	
	Total	\$84.0	\$71.1	\$12.9	\$18.9	\$31.8	
2002	Non-union Plan	\$38.3	\$35.4	\$2.9	\$6.8	\$9.7	\$29.4
	Union Plan	\$37.6	\$33.4	\$4.2	\$19.4	\$23.6	
	SERP	\$4.0	\$0.0	\$4.0	(\$2.8)	\$1.2	
	Total	\$79.9	\$68.8	\$11.1	\$23.4	\$34.5	